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January 10, 2018

Mr. Jim Watson, P.E.
General Manager
Sites Project Authority
P.O. Box 517
Maxwell, CA 95955

SUBJECT: August 2017 Sites Reservoir Project Draft Environmental Impact Report/Statement

Dear Mr. Watson:

The Northern California Power Agency (NCPA) is pleased to submit comments to the Sites Project Authority (Authority) regarding the August 2017 Sites Reservoir Project Draft Environmental Impact Report/Environmental Impact Statement (DEIS). NCPA is a California joint action agency with 16 members located in Northern and Central California.

As NCPA and its members purchase more than 40 percent of the Central Valley Project (CVP) power as marketed by the Western Area Power Administration (WAPA), we are actively following the progress of the Authority and Reclamation's work to advance the Sites Reservoir Project (Project). As noted in the DEIS, the Project, if constructed, would impact CVP water and power operations and, if Congress authorizes, become a CVP facility. Accordingly, our comments focus on the Project's potential impacts on CVP power's availability and costs which we encourage the Authority to consider as work proceeds to complete a final EIS.

The NCPA member cities of Biggs, Gridley, Redding, and Roseville are within proximity of the Project, with the latter being a member of the Authority. We recently provided comments to the Authority on the draft Feasibility Report for the Project, and we request that the Authority include those comments in the record for the DEIS as they address power issues associated with the Project.

Our DEIS comments are as follows:

- 1. The DEIS Must Address the Environmental and Financial Impacts of Increased CVP Project Use Power to be Used for the Operation of the Sites Project**

The Sites Project, when constructed and operated, is proposed to utilize an unspecified amount of CVP Project Use power for pumping operations to deliver water into Sites Reservoir. On Page ES-1, and in Figures ES-1 and ES-2, the Sites Project facilities are described and would include several pumping

facilities that are presently CVP Project Use power loads (i.e., the Tehama-Colusa canal intake pumps and others). Also, water deliveries from the Sites Project will increase CVP Project Use power consumption at the Jones pumping plant, the San Luis reservoir and other pumping facilities. In Table 31-11, the DEIS predicts that an average of 245 GWH per year would be used, long-term, for the pumping operations at the Sites Project; however, this estimate apparently excludes impacts at Jones and the San Luis reservoir. The total potential increase in CVP Project Use power consumption that would be caused by the Sites Project is very significant but not clearly specified in the DEIS.

Additional Project Use power consumption that is caused by the Sites Project will directly increase WAPA CVP base resource costs (\$/MWh) for all of the preference power customers. CVP base resource power sold by WAPA has fixed annual costs that include operation and maintenance costs for both WAPA and Reclamation. Reductions in the amounts of future base resource preference power deliveries will directly increase the actual costs per MWh that all CVP preference customers experience. This outcome is because Project Use power is first deducted from the actual available CVP power generation before the remaining CVP generation is delivered to preference customers.

Increased future costs for the CVP base resource power will have adverse future environmental and financial impacts for the entire Central Valley Project. In many years, the cost of CVP power is already above the wholesale power markets in California. Preference power customers have contractual off ramps in 2019, 2024 and beyond that will allow them with an option to terminate their CVP power contracts. If preference customers depart, Reclamation may be forced to sell CVP power in the CAISO market and, in many years, receive substantially less revenue than Reclamation currently receives. This outcome would jeopardize funding for the Central Valley Project Improvement Act Restoration Fund and funding by customers for the existing CVP operations and maintenance programs. These significant environmental and financial impacts caused by the Sites Project operations must be described and predicted.

The DEIS must describe the amounts and timing of all increases in CVP Project Use power that the Sites Project intends to utilize for pumping operations. In addition, the DEIS must consider the impacts that the reduced amounts of base resource power would have on all of the CVP preference power customers, including the environmental impacts that will be associated with the need for preference customers to purchase replacement power for the base resource power that may be lost due to Sites Project operations.

At times, especially in dry winter months, the actual CVP generation has difficulty in meeting the existing Project Use pumping requirements. These CVP generation shortfalls have led to the need for WAPA to actually purchase supplementary power to meet the existing Project Use power loads (while not delivering any base resource power) in those time periods. These shortfalls are paid by preference power customers. If CVP power becomes uneconomic and preference power customers exercise their option to exit the CVP Power Marketing program, the EIS must address how these power shortfalls will be purchased and repaid. The Sites Project, if it uses CVP Project Use power as proposed, would further aggravate these shortfalls. The environmental and financial impacts of these increased shortfalls also need to be predicted in the DEIS and the final EIS.

The DEIS must explain whether Project Use power is intended to be used for a non-federal Project if the ultimate ownership of the Sites Project does not include Reclamation. Is their legal authority under Reclamation law to use Project Use power for a non-federal facility? Please provide the legal authority and citation if that is being proposed. Alternatively, if the Project is intended to use no Project Use

power (assuming no Reclamation ownership of the Project) that outcome should be explained, and the alternative power source(s) that would be used for Sites Project pumping power should be identified and their environmental impacts specified.

2. Aid to Irrigation and Ability to Pay of CVP Irrigation Districts

The DEIS must provide an explanation and description of the environmental and cost impacts that will be caused by the Sites Project through the aid to irrigation and ability to pay provisions of Reclamation law. These provisions in Reclamation law (see attachment 1 hereto, from a Reclamation presentation in 2017) provide for Reclamation's CVP water contractors to request the ability to pay computations by Reclamation. Reclamation law then assigns the repayment of such aid to irrigation costs to power customers (and potentially municipal and industrial water contractors). The ability to pay and aid to irrigation provisions in Reclamation law, therefore, provides a mechanism for the Sites Project to shift massive future costs to the CVP preference power customers. Many of the Authority members already receive aid to irrigation benefits from Reclamation. These aid to irrigation costs are already assigned to CVP preference power costs for future repayment. WAPA has projected that CVP aid to irrigation costs will total about \$80 Million by 2030 even without the Sites Project. WAPA intends to require CVP power customers to begin repaying these aid to irrigation costs as early as 2022. These WAPA projections have not included any aid to irrigation costs for the Sites Project.

Our concern is that the DEIS has completely omitted the significant future potential aid to irrigation costs that the Sites Project would cause and that then would be shifted to the CVP power customers. The DEIS must identify the environmental and financial impacts that might result from such a transfer of costs. Given the multi-billion dollar future construction costs of the Project, it appears likely that CVP water contractors participating in the Project would claim aid to irrigation benefits. The ability to pay provisions in Reclamation law allow these entities to shift potentially millions of dollars to the CVP power customers, thereby likely creating an uneconomic CVP power cost.

The potential impacts (both environmentally and financially) of the departure of CVP preference power customers could be substantial, as previously noted in our comments. If CVP power preference customers depart, CVP power may need to be sold in the CAISO wholesale power market and the revenues that are currently supporting the CVP operations and maintenance and CVPIA programs may well disappear.

3. Transmission Interconnection Impacts Must be Clearly Identified

The DEIS identifies new 230kv and 115kv transmission and substation facilities as needed for the Project (see p. ES14 and Chapters 3 and 31). However, the Sites Project has not conducted system impact studies or initiated the transmission interconnection processes at either WAPA or the CAISO. There could be very significant future costs and impacts that would be associated with the Sites Project transmission facilities if these studies require significant upgrades or curtailment and operation restrictions. New, longer transmission routes to other transmission lines may be required due to a change in power flows on the WAPA and PG&E transmission systems because of Sites pumping requirements.

The PG&E 660MW Colusa power plant is located near the Sites Project and may restrict the use of the existing PG&E 230kv transmission lines near the Sites Project. Similarly, the availability of transmission service from the existing WAPA and TANC lines must also be studied before service can be confirmed.

Many of these transmission lines already have obligations to deliver CVP power and power from the Pacific Northwest. Until these studies and the interconnection processes are completed, the Sites Project's true environmental and cost impacts won't be identified.

On page ES-13, the DEIS noted that eight existing WAPA transmission towers would need to be relocated to provide for the Holthouse Reservoir. The costs and impacts of any such relocations must be described and identified. Relocation of existing transmission towers can be both costly and environmentally impactful. Replacement power may also be required if the process of relocation leads to impacts on the existing transmission lines or the CVP power system.

4. **Additional Power Questions that Need to Be Addressed in the Final EIS**

There are a number of additional, power related questions that will need to be carefully addressed as a final EIS is prepared. These questions include the following:

- What will the total Sites Project operational capacity (MW) be for both pumping and generating operations and will these facilities be greater than 30 MW? Will the sizing of these facilities comport with the California statutes that define eligible renewable energy resources?
- Does the Sites Project intend to divide any of these facilities into smaller units in an attempt to qualify as a renewable energy resource and is there any precedent for such an approach to sizing?
- For the Sites Project, besides any proposed use of CVP Project Use power, what types and sources of energy will be used to support Sites Project operations?
- For Sites Project water operations, will the new facilities cause any adverse impacts on other project purposes?

Thank you for your consideration. If you have any questions about our comments and concerns, please feel free to call me at (916) 781-4203.

Sincerely,



JANE CIRRINCIONE
Assistant General Manager, Legislative and Regulatory Affairs